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COMMERCE FOR 4331/MAC/WH/MCAMERON  
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TAGS: [SENV](#) [EAID](#) [ETRD](#) [EAGR](#) [ECON](#) [USTR](#) [PE](#)

SUBJECT: HARMONIZING USG COOPERATION IN FORESTRY SECTOR

¶1. Summary: With some of the most diverse ecosystems in the world, Peru seeks to find a balance between protecting its environment and deriving economic benefits from its natural resources. As a vote in the U.S. Congress on the U.S.-Peru Trade Promotion Agreement (PTPA) approaches, the GOP will need to address implementation of the agreement's environmental chapter, in particular amendments on illegal logging. In order to harmonize the array of environmental programs offered by various USG agencies, representatives of USAID, the Foreign Agricultural Service (FAS) and ECON met with senior INRENA (GOP's National Natural Resource Institute) officials on June 1 to present and discuss USG forestry cooperation and assistance in Peru. Post is developing a coordinated strategy for assistance to the Peruvian forestry sector which includes the following: USAID-funded activities in voluntary forest certification, forestry rule of law, INRENA institutional capacity building, and protected areas management; USDA support for providing PL 480 Title I resources to fund specific projects in the areas of voluntary forest certification, community management and reforestation, forestry rule of law, and institutional capacity building; and State to fund environmental law enforcement training. End Summary.

¶2. Peru is among a handful of mega-biodiverse countries in the world, and its rainforests are among the largest of any country, extending 700,000 square kilometers. As a lower middle-income country, Peru faces important choices about how to manage its environment responsibly, while leveraging it as an asset for economic growth and poverty reduction. Without an environment ministry, responsibility for implementation and enforcement of Peru's relatively strong environmental legal framework rests with INRENA and sectoral ministries. Environmental abuses, non-sustainable practices, poor oversight, and lack of funding continue to be hallmarks of the current approach.

¶3. Logging promises to be an important contributor to Peru's growing economy. While 60% of Peru's land is forest, at present, forestry contributes only 1.4% of the GDP. However, illegal logging in the Peruvian jungle continues -- an estimated 70 to 90% of mahogany exported from Peru in 2005 originated from illegal sources. In addition, the national system of parks and protected areas is potentially a tremendous base upon which to expand ecotourism and sustainable forestry.

¶4. However, weak management and illegal activities, such as logging, poaching and coca cultivation, threaten these lands and

their inhabitants (many of them indigenous people). International development assistance has been important in supporting a variety of forestry initiatives. Both the environmental chapter of PTPA and the current proposed amendments have focused on our interest in reducing illegal logging, as well as to improve overall forest sector governance. The PTPA creates further potential opportunities for development of activities in this area through its Environmental Cooperation Agreement.

15. Seeking to develop a coherent and unified environmental cooperation initiative, USAID, USDA/FAS and State/Economic officers met on June 1 with senior level INRENA officials to present and discuss USG forestry assistance in Peru. The objectives of the meeting were to harmonize USG assistance in Peru as mandated by the foreign assistance reform process, as well as to maximize congruence with GOP priorities. Current USG environmental assistance includes diplomatic efforts, protected areas management, forest sector transformation, building on achievements to date, capacity building, local ownership, environmental management for poverty reduction, and alliance building between the GOP, private sector and civil society.

16. Three agencies are working on these assistance efforts: USAID, USDA (particularly the Forest Service) and State. Under a harmonized approach:

- USAID will continue funding activities in voluntary forest certification, forestry rule of law, INRENA institutional capacity building, and protected areas management;
- USDA will support using resources generated by the most recent PL 480 Title I agreement to fund specific projects in the areas of voluntary forest certification, community management and reforestation, forestry rule of law, and institutional capacity building; and

- State will fund environmental law enforcement training.

COMMENT

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17. Environmental issues are a top priority for the GOP and for the USG in Peru. Environmental provisions in the PTPA will bring new challenges for the GOP in areas related to the environment, global warming and logging. The Environmental Cooperation Agreement will provide opportunities for working on capacity building activities for the forestry sector. USAID, USDA and State aim to create a joint platform of work at post for environmental cooperation focusing on areas such as capacity building, forest certification, reforestation, forestry rule of law, environmental compliance, and protected areas management. This joint platform could lend itself to future funding that might become available for PTPA implementation. The meeting with INRENA served as the starting point to harmonize and concentrate efforts into areas of common interest for the USG and the GOP.

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